

# EXAMINER'S BANKING PRACTICES SURVEY

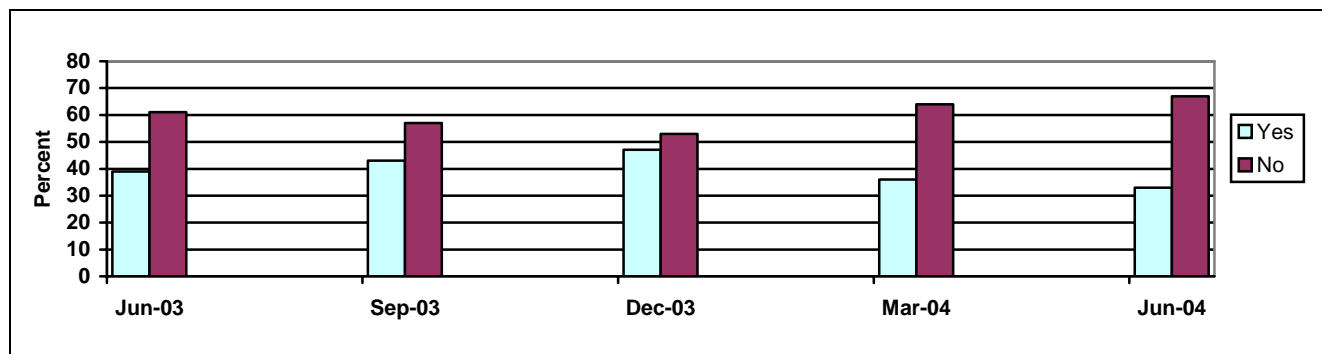
Second Quarter 2004

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Second Quarter 2004** results are compiled from **30** responses.

## LENDING

1. Since the last examination, has the institution significantly increased lending activity in any particular segment of the portfolio? "*Significantly*" means growth of 20% or more.



Of yes responses:

Loan Type	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04
RE/Const/Land Devel	17%	17%	22%	27%	15%
RE/Agricultural	11%	13%	11%	14%	15%
RE/Commercial/Indust	25%	30%	15%	27%	20%
RE/Residential	19%	10%	14%	14%	10%
Agricultural	6%	10%	14%	0%	15%
Commercial/Industrial	14%	17%	17%	9%	25%
Consumer	8%	3%	7%	9%	0%

2. Is the institution active in making the following types of loans?

	Sep-03		Dec-03		Mar-04		Jun-04	
	Yes 7%	No 93%	Yes 14%	No 86%	Yes 16%	No 84%	Yes 7%	No 93%
Of Yes Responses-Loan type								
Sub-prime/Predatory lending	0%		43%		0%		0%	
Dealer paper	100%		43%		100%		0%	
Low or No-doc bus. lending	0%		14%		0%		50%	
High LTV home eq. lending	0%		0%		0%		50%	

3. Is the bank offering below market interest rates or reduced fees to attract loans?

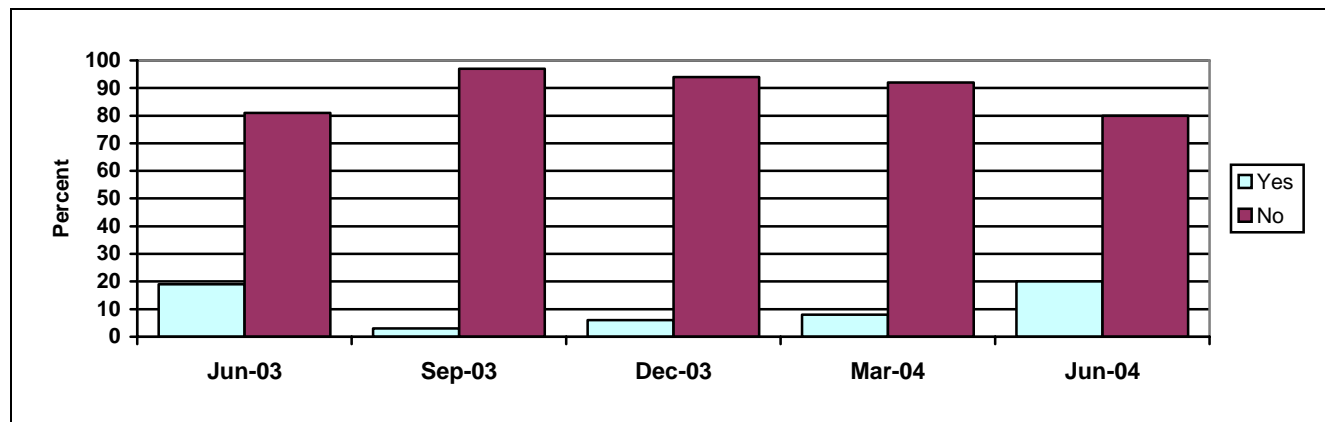
	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04
Yes	0%	0%	0%	0%	3%
No	100%	100%	100%	100%	97%

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4. Does the institution use credit scoring models for loan decisions?

	Sep-03		Dec-03		Mar-04		Jun-04	
	Yes 3%	No 97%	Yes 22%	No 78%	Yes 12%	No 88%	Yes 7%	No 93%
Of Yes Responses - Loan type								
Credit card	0%		13%		0%		0%	
Consumer	50%		40%		67%		67%	
Residential mortgage	50%		40%		33%		33%	
Small business	0%		7%		0%		0%	
Other	0%		0%		0%		0%	

5. Are there indications the bank is incurring "more-than-normal" risk to boost new loans?



Of yes responses:

	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04
Making collateral based loans?	25%	33%	25%	20%	36%
Reduced collateral margins?	0%	0%	25%	20%	14%
Not requiring cash flow projections?	25%	0%	25%	40%	21%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	0%	33%	25%	0%	21%
Waiving guarantee's or other documentation?	25%	33%	0%	20%	7%
Other	25%	0%	0%	0%	0%

6. Describe potential risk in current underwriting practices for:

	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04
<b>Agricultural Loans</b>					
Minimal	81%	87%	83%	96%	70%
Moderate	16%	10%	17%	4%	30%
Substantial	3%	3%	0%	0%	0%
<b>Commercial Loans</b>					
Minimal	77%	80%	81%	64%	73%
Moderate	16%	13%	17%	36%	23%
Substantial	7%	7%	3%	0%	3%
<b>Consumer Loans</b>					
Minimal	84%	94%	86%	80%	83%
Moderate	13%	3%	14%	16%	10%
Substantial	3%	3%	0%	4%	7%
<b>Residential Loans</b>					
Minimal	87%	97%	92%	88%	83%
Moderate	10%	3%	8%	8%	10%
Substantial	3%	0%	0%	4%	7%

7. Differences between actual lending practices and written policies are:

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	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04
<b>Agricultural Loans</b>					
Minimal	90%	97%	83%	96%	83%
Moderate	10%	3%	14%	4%	13%
Substantial	0%	0%	3%	0%	3%
<b>Commercial Loans</b>					
Minimal	81%	93%	83%	80%	80%
Moderate	16%	7%	14%	20%	13%
Substantial	3%	0%	3%	0%	7%
<b>Consumer Loans</b>					
Minimal	87%	97%	89%	84%	93%
Moderate	13%	3%	8%	8%	0%
Substantial	0%	0%	3%	8%	7%
<b>Residential Loans</b>					
Minimal	87%	97%	86%	92%	90%
Moderate	10%	3%	8%	4%	3%
Substantial	3%	0%	6%	4%	7%

8. With regard to agricultural loans, describe the potential risk the bank faces from:

	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04
<b>Carryover Debt</b>					
Minimal	94%	90%	89%	96%	90%
Moderate	3%	10%	11%	4%	10%
Substantial	3%	0%	0%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	94%	93%	83%	96%	97%
Moderate	6%	7%	14%	4%	3%
Substantial	0%	0%	3%	0%	0%
<b>Drop in Land Values</b>					
Minimal	90%	86%	86%	96%	79%
Moderate	7%	7%	11%	4%	21%
Substantial	3%	7%	3%	0%	0%

9. Has the ratio of Total Adversely Classified Items/Tier 1 Capital & ALLL increased (+) or decreased (-) since the prior examination?

	Sep-03		Dec-03		Mar-04		Jun-04	
No. Banks with Inc/(Dec) in ratio (%)	+	73%	-	27%	+	47%	-	53%
Average Inc/(Dec) in Ratio	6.3	(5.7)	9.3	(9.8)	8.6	(8.9)	11.0	(6.1)
<b>Cause of Increase</b>								
Eased underwriting standards	0%		4%		10%		4%	
Deterioration in new loans	3%		8%		0%		4%	
Deterioration in older loans	69%		67%		40%		54%	
Participations or out-of-territory	7%		0%		0%		17%	
Economic conditions	7%		17%		10%		13%	
Changes in lending personnel	0%		0%		10%		4%	
New types of lending activity	0%		0%		0%		0%	
Other	14%		4%		30%		4%	

10. Estimate loan classifications at this examination into the following types:

Loan Type	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04
RE/Const/Land Development	5%	5%	5%	5%	5%
RE/Agriculture	5%	6%	7%	6%	7%
RE/Commercial/Industrial	26%	21%	26%	20%	22%
RE/Residential	17%	32%	29%	26%	30%
Agricultural	9%	8%	4%	5%	4%
Commercial/Industrial	23%	14%	22%	23%	24%
Consumer	15%	14%	7%	15%	9%

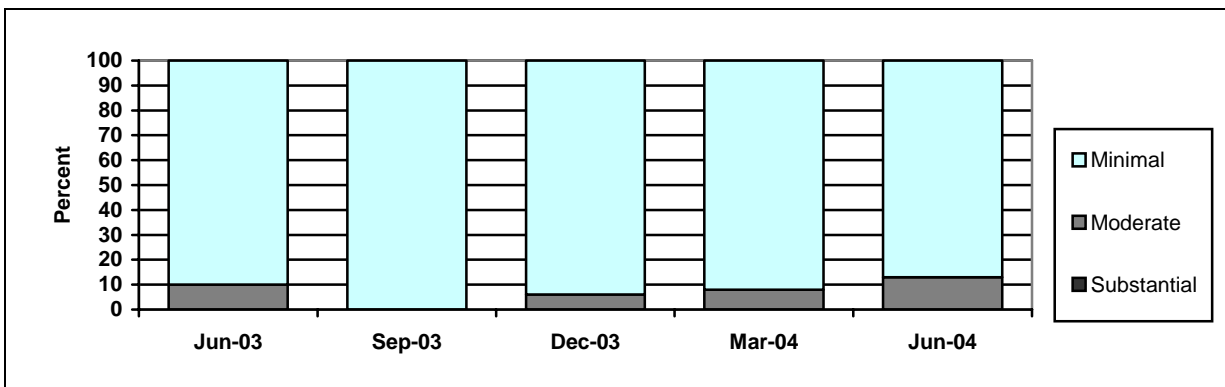
## INVESTMENTS

## Examiner's Banking Practices Survey

11. Since the last examination, has the institution purchased securities without understanding the characteristics of the issue?

	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04
Yes	0%	3%	0%	4%	0%
No	100%	97%	100%	96%	100%

12. Differences between actual investment practices and written policies are:



### OTHER

13. Has the bank established a borrowing line with FHLB?

	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04
Yes	77%	73%	92%	72%	73%
No	23%	27%	8%	28%	27%
If yes, does the bank actively borrow from the FHLB?					
Yes	87%	82%	85%	72%	62%
No	13%	18%	15%	28%	38%

14. Does the bank hold off-balance sheet derivatives?

	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04
Yes	3%	0%	3%	0%	7%
No	97%	100%	97%	100%	93%

15. List nontraditional activity the institution is engaged in.

	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04
Yes	71%	73%	69%	84%	70%
No	29%	27%	31%	16%	30%
Of those that do:					
Nondeposit Investment Sales	26%	27%	29%	25%	26%
Insurance Sales	7%	11%	6%	10%	7%
Real Estate Loan Secondary Market Sales	28%	20%	29%	31%	21%
Non-transactional Web Site	13%	13%	4%	14%	12%
Transactional Web Site	24%	27%	30%	20%	28%
Other	2%	2%	2%	0%	5%